



Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

November 17, 2006

Dear Ms. Walli

Re: EDA Proposal for a Revenue Stabilization Mechanism for Local Electricity Distributors Board File No.: EB-2006-0267

PowerStream appreciates the opportunity to comment on the Electricity Distributors Association's (EDA) proposal regarding a revenue stabilization mechanism for local electricity distributors (LDCs).

PowerStream supports that EDA in its assertion that it is critically important that there are no impediments to pursuing the maximum achievable CDM gains. The Government's Supply Mix Directive for the OPA's Integrated Power System Plan has set an ambitious target for conservation. The Government's directives to the OPA to develop 1,300 megawatts of conservation programs, which represents an investment of up to \$1.5 billion in conservation and to make an additional \$400 million in CDM funding available to LDCs over three years outlines the importance of ensuring that LDCs are protected from lost revenue due to conservation.

The EDA report aptly describes the complexity and narrow focus of implementing an LRAM methodology for the electricity industry. In addition, the effects of the smart meter programs and standard offer program on load forecasts (and distribution costs) increase the complexity of forecasting load accurately. PowerStream is concerned that taking into account all the differentials between forecast and actual revenues the RSAM methodology captures all potential factors that could lead to a reduction in energy consumption and lower revenues – including those that are inherent to the nature of the distribution business. We are apprehensive about any proposal that might re-open the debate over the appropriateness of distributors' risk and allowed ROE. Such potential has already been highlighted in the list of questions posed by the Board in its letter of November 2, 2006.

PowerStream agrees with Hydro One's position that, given the OPA's lead accountability for setting provincial CDM targets and for administering the financing of the CDM programs designed to meet those targets, the need for LDCs' accountability to drive CDM programs will be greatly diminished. PowerStream further agrees that there should be little or no concern about the delivery of the programs by the LDCs in the electricity distribution sector or for there to be any potential for disincentives to do so.

As such PowerStream supports Hydro One's recommendation of creating a Z-like equivalent factor that can be included in the price cap formula that would reflect the effectiveness of the OPA's programs – both those administered by the OPA, 3rd parties and LDCs – and for the reasons articulated in its submission. It encompasses the effect of CDM programs regardless of proponent, is simple to administer, and consistent with the nature of incentive regulation.

If you have any further questions, please do not hesitate to contact the undersigned.

Yours truly,

(original signed by) PAULA CONBOY

Paula Conboy
Director of Regulatory and Government Affairs